

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Real estate investments to increase by 1.5% to \$1.4 trillion in 2017

Property consultant Cushman & Wakefield projected global real estate investments at \$1,394bn in 2017, which would constitute an increase of 1.5% from \$1,374bn in 2016. It attributed the expected increase in real estate investments this year to new sources of capital and to a larger number of investors seeking global diversification opportunities. It forecast real estate investment in Asia-Pacific to reach \$611bn and to account for 43.8% of global real estate investments in 2017, followed by North America with \$470.8bn (33.8%), Europe, the Middle East & Africa (EMEA) with \$307.3bn (22%) and Latin America with \$5bn (0.4%). It projected investment volumes in real estate to increase by 22.5% in Latin America this year, followed by the EMEA region (+6.3%) and Asia-Pacific (+1.6%), while it expected real estate investment volumes in North America to decrease by 1.8% in 2017. In parallel, Cushman & Wakefield anticipated that many real estate investors would continue to heavily invest in core cities around the world in an effort to minimize risk, and to build liquidity and longevity in their portfolios. It added that investors seeking high returns would invest in new and selective geographical areas, including emerging markets. Further, it noted that investors are considering new segments in the real estate market and new asset classes, such as retirement homes, data centers, urban logistics and leisure, in order to reflect the changing trends in demographics, technology and mobility.

Source: Cushman & Wakefield

EMERGING MARKETS

Remittance inflows to rise by 3% to \$444bn in 2017

The World Bank projected remittance inflows to developing economies at \$443.6bn in 2017, which would constitute an increase of 3.3% from an estimated \$429.3bn in 2016, and following contractions of 1% in 2015 and 2.4% in 2016. It attributed the expected increase in remittance inflows to developing economies to improved economic activity in high-income and developing economies, as well as to better global financing conditions. However, it said that the continued de-risking by correspondent banks, heightened policy uncertainties, rising geopolitical tensions and increased protectionism, such as imposing taxes on remittances, constitute significant downside risks to the remittances forecast. Further, it said that inflows to developing economies would account for 74.7% of global remittance flows in 2017, nearly unchanged from 74.6% in 2016. It forecast inflows to the East Asia & Pacific region to reach \$129bn and to account for 29.1% of remittance flows to developing economies in 2017, followed by South Asia with \$112.3bn (25.3%), Latin America & the Caribbean with \$75.5bn (17%), the MENA region with \$51.8bn (11.7%), Europe & Central Asia with \$41bn (9.2%) and Sub-Saharan Africa (SSA) with \$34.1bn (7.7%). Also, it projected remittance inflows to Europe & Central Asia to grow by 6.6% in 2017, followed by the MENA region (+6.1%), Latin America & the Caribbean and SSA (+3.3% each), East Asia & Pacific (+2.5%) and South Asia (+2%).

Source: World Bank, Byblos Research

MENA

Region's country risk level unchanged in first quarter of 2017

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world was unchanged in the first quarter of 2017 from the preceding quarter, as the average score of 19 Arab economies remained at 38.4 points in the covered quarter. The region's risk level was higher than the global risk level of 42.5 points in the first quarter of the year. It was also higher than the risk levels of North America (79.4 points), Western Europe (71.7 points), Central & Eastern Europe (47.3 points), Latin America (44.5 points) and Asia (42.9 points), while it was lower than the risk levels of the Caribbean (36.7 points), Sub-Saharan Africa (30.2 points) and Australasia (27.2 points). The GCC and non-GCC countries' average scores reached 60.5 points and 28.2 points, respectively, in the first quarter of 2017, unchanged from their scores in the fourth quarter of 2016. The Arab world's Political Risks level stood at 11.72 points, which was riskier than the global average of 13.74 points; while the Economic Performance score of 12.81 points was below the global average of 13.39 points. Further, the region's Credit Ratings averaged 2.75 points relative to the global average of 3.07 points; while the Access to Bank Finance & Capital Markets score was 3.66 points, lower than the global average of 3.82 points. Qatar had the lowest country risk level in the Arab world and the 22nd lowest globally, followed by Kuwait (32nd), the UAE (34th), Oman (47th) and Saudi Arabia (48th).

Source: Euromoney Group, Byblos Research

Competitiveness of travel and tourism sector below global level

The World Economic Forum's Travel & Tourism Competitiveness Index for 2017 indicated that the competitiveness of the travel & tourism (T&T) industry in the Arab world is below global standards, as the region's average score reached 3.54 points compared to the global average of 3.81 points. The Arab region's T&T competitiveness level came below Europe's average of 4.17 points, Asia Pacific (4.07 points), and the Americas (3.9 points), but was above Sub-Saharan Africa's average of 3.1 points. The Index measures the set of factors and policies that enable the sustainable development of the T&T sector. The UAE ranked in first place on the Index among 14 Arab countries included in the survey and in 29th place globally, followed by Qatar (47th), Bahrain (60th) and Saudi Arabia (63rd) as the Arab countries with the most competitive T&T sectors. In contrast, Kuwait (100th), Algeria (118th), Mauritania (132nd) and Yemen (136th) had the least competitive T&T sectors in the region. In parallel, the UAE (14th), Qatar (16th) and Bahrain (33rd) were the top ranked Arab countries on the Enabling Environment Sub-Index. Further, Egypt (44th), Tunisia (52nd) and the UAE (54th) led Arab countries on the T&T Policy and Enabling Conditions Sub-Index. Finally, the UAE (10th), Qatar (24th) and Bahrain (31st) led Arab countries on the Infrastructure Sub-Index; while Morocco (41st), Egypt (48th) and the UAE (74th) were the top ranked Arab countries on the Natural & Cultural Resources Sub-Index.

Source: World Economic Forum, Byblos Research

OUTLOOK

MENA

Economic growth to decelerate to 2.6% in 2017, risks tilted to the downside

The World Bank projected real GDP growth in the Middle East & North Africa (MENA) region to decelerate from 3.5% in 2016 to 2.6% in 2017, mainly due to a slowdown of activity in the region's oil-exporting countries. It expected real GDP growth of MENA oil-exporters to regress from 3.5% in 2016 to 2.4% this year, due to ongoing fiscal consolidation measures and to oil production cuts under the OPEC agreement. It forecast economic growth in Gulf Cooperation Council (GCC) countries to decelerate from 2% in 2016 to 1.5% in 2017, while it anticipated economic activity in the region's non-GCC oil exporters to slow down from 5.9% in 2016 to 3.8% this year. Further, it projected real GDP growth of MENA oil-importing economies to accelerate from 2.9% last year to 3.5% in 2017 due to improved growth prospects in Jordan, Lebanon, Morocco and Tunisia. Overall, it expected growth in the MENA region to accelerate from an annual average of 2.4% during the 2013-15 period to 3.1% annually in the 2016-19 period, in case of an economic recovery in Iran and Egypt, if oil markets become more stable and if the ongoing peace talks in Libya, Syria and Yemen yield positive results.

In parallel, the Bank forecast the MENA region's aggregate fiscal deficit to narrow from 10.1% of GDP in 2016 to 5.6% of GDP in 2017 and to reach 1.5% of GDP by 2019, as regional countries continue to implement a wide range of economic reforms. Also, it projected the region's aggregate current account deficit to narrow from 4.8% of GDP last year to 2.4% of GDP this year, and to reach 0.1% by 2019. Further, the Bank indicated that downside risks to the MENA's short-term outlook include high volatility in global oil prices, the escalation of war and violence in the region, and the uncertainty about the U.S. Administration's policies towards MENA countries. It said that key challenges to achieve high growth in the MENA region consist of ending armed conflicts, improving macroeconomic conditions and implementing the necessary reforms to support the business climate.

Source: World Bank

AFRICA

Favorable medium-term economic prospects for WAEMU countries, downside risks significant

The International Monetary Fund forecast real GDP growth in the member countries of the West African Economic and Monetary Union (WAEMU) to accelerate from 6.2% in 2016 to 6.5% in 2017, and to exceed 6% annually during the 2017-21 period. But it noted that the outlook is contingent on sustained macroeconomic stability and improvement in the business environment. It said that the outlook is subject to downside risks that include delays in implementing fiscal consolidation and structural reforms, a slowdown in global economic activity, tighter global financing conditions, increased security risks, as well as a sustained decline in global cocoa prices.

Further, the Fund projected the region's overall fiscal deficit to widen slightly from 4.5% of GDP in 2016 to 4.7% of GDP in 2017 and to narrow to 2.5% of GDP by 2021. It expected the public debt level to increase from 45.9% of GDP in 2016 to

46.3% of GDP in 2017, but to regress to 40.7% of GDP by 2021. Also, it forecast the current account deficit to slightly widen from 6.1% of GDP last year to 6.3% of GDP this year, and to reach 5.3% of GDP by 2021. In addition, it indicated that foreign currency reserves, excluding intra-WAEMU trade, regressed from 4.6 months of import cover at the end of 2015 to 3.7 months of imports at end-2016 due to lower-than-anticipated external financing. It expected the reserve coverage to decrease to 3.5 months of imports at end-2017, and to be at about four months of import cover over the medium-term.

In parallel, the Fund encouraged WAEMU economies to implement well-coordinated and consistent national fiscal policies, as well as a supportive monetary policy, in order to address the risks to public debt sustainability and to preserve macroeconomic stability. In this context, it called on WAEMU countries to stick to their planned fiscal consolidation in order to reduce the public debt level and rebuild foreign currency reserves. Also, it encouraged authorities to increase public revenue, contain current spending, as well as improve public finance and debt management, enhance the quality and efficiency of public spending, and develop alternative forms of financing for infrastructure projects.

Source: International Monetary Fund

ANGOLA

Growth at 1.7% in 2017, fiscal challenges persist

Barclays Capital projected Angola's real GDP growth to improve from 0.1% in 2016 to 1.7% in 2017, supported by a recovery in infrastructure investment, higher global oil prices and domestic oil production, and increased availability of foreign currency. But it indicated that challenges to the outlook are significant and include policy uncertainty and spending pressure ahead of the upcoming presidential elections scheduled for August 2017. It noted that authorities have targeted a fiscal deficit of 5.8% of GDP in 2017, relative to an estimated deficit of 2.3% of GDP last year, and have incorporated election-related expenditures and an increase in infrastructure spending. Still, it considered that risks of a fiscal slippage in 2017 are elevated in case of higher-than-anticipated spending or lower-than-expected oil output or prices. It pointed out that Angola's public debt level continues to rise but remains sustainable, and has become highly vulnerable to shocks to economic growth, foreign currency, financial contingent liabilities and oil prices.

In parallel, Barclays Capital forecast Angola's current account deficit to narrow from 9.6% of GDP last year to 7.3% of GDP in 2017 as a result of higher hydrocarbon export receipts. It expected foreign currency reserves to remain limited and to increase slightly from \$24.4bn, or eight months of import cover, at the end of 2016 to \$25bn, or six months of import cover at end-2017. It added that foreign currency shortages would persist despite higher oil prices. It expected the Banco Nacional de Angola to devalue the kwanza by 10.3% from AOA166 against the US dollar at end-2016 to about AOA185 at the end of 2017. It forecast the inflation rate to regress from 41.9% at the end of 2016 to about 20% at end-2017 due in part to tighter monetary conditions. It expected authorities to keep the monetary policy rate unchanged at 16% during the remainder of 2017.

Source: Barclays Capital



ECONOMY & TRADE

SYRIA

Infrastructure damage at about \$41bn as at March 2016

The World Bank estimated the total cost of the damage to infrastructure from the conflict in Syria at between \$33.7bn and \$41.1bn in current prices as at March 2016. It noted that the cost assessment covers seven industries in Aleppo, Dar'a, Hama, Homs, Idlib and Latakia. It said that infrastructure losses in the housing sector totaled between \$22.8bn and \$28bn as at March 2016, followed by the losses in the energy sector (between \$6.1bn and \$8.5bn), healthcare (between \$1.8bn and \$2.2bn), education (between \$1.1bn and \$1.2bn), transportation (between \$753m and \$891m), agriculture (between \$422m and \$530m), and water & sanitation (between \$320m and \$394m). It noted that 20% of total houses in Aleppo, Dar'a, Hama, Homs and Idlib were destroyed during the covered period. It added that damages to infrastructure in Aleppo accounted for 57% of total damages as at March 2016, the largest share among the six covered cities. Also, it noted that 83% of infrastructure losses in Homs are in the housing sector and about 80% of losses in Hama are in the energy sector. In comparison, it indicated that Dar'a and Idlib accounted for 2% and 6% of total damage to infrastructure in Syria because of their smaller size compared to the other cities. It added that the damage to infrastructure in Latakia has been limited. In parallel, the Bank estimated the cost of damage to infrastructure in constant 2007 prices at between \$5.9bn and \$7.2bn as at March 2016.

Source: World Bank

JORDAN

Ratings affirmed, outlook 'negative'

S&P Global Ratings affirmed at 'BB-/B' Jordan's long- and short-term foreign and local currency sovereign ratings, with a 'negative' outlook. It said that the ratings are constrained by the country's high public debt level, large external financing needs and spillovers from the ongoing regional conflicts. But it noted that the ratings are supported by the authorities' fiscal consolidation measures and by sustained regional and international financial support. It projected Jordan's real GDP growth at 2.7% annually during the 2017-20 period and attributed the subdued growth to sustained regional tensions, the wars in Syria and Iraq, ongoing refugee inflows and weak remittance inflows from the GCC region. Further, it noted that the government's fiscal consolidation efforts are supported by the IMF's \$723m extended fund facility that aims to reduce the public debt level and support economic growth. It anticipated the government's debt level, excluding grants and transfers to the National Electric Power Company, to decline from 94% of GDP in 2016 to 85% of GDP by 2020. Further, it forecast Jordan's current account deficit to average 7.5% of GDP annually during the 2017-20 period, and to be financed through FDI and debt inflows, grants and project lending. It forecast the country's external financing needs to average 148% of current account receipts during the 2017-20 period, reflecting the country's wide current account deficit and elevated short-term debt. In parallel, it pointed out that the 'negative' outlook reflects implementation risks to Jordan's fiscal consolidation, as well as challenges to secure external financing amid subdued activity, high unemployment and regional instability.

Source: S&P Global Ratings

MOROCCO

Agencies affirm sovereign ratings, outlook 'stable'

Fitch Ratings affirmed Morocco's long-term foreign and local currency Issuer Default Ratings at 'BBB-', with a 'stable' outlook. It said that the ratings are supported by economic performance, and public and external finance indicators that are in line with similarly-rated peers, but are constrained by weaker structural indicators. It expected real GDP growth to accelerate from 1.6% in 2016 to 4.3% in 2017, supported by higher agricultural output from a favorable rain season. Further, it forecast the general government budget deficit to narrow from 1.7% of GDP in 2016 to 1.3% of GDP in 2017, reflecting pension reforms and improved fiscal performance. In addition, it estimated the current account deficit to have widened from 2.1% of GDP in 2015 to 3.9% of GDP in 2016, due to a sharp rise in capital imports and subdued prices of export commodities. But it expected the deficit to gradually narrow in coming years due to the expected solid growth in exports. It noted that foreign currency reserves increased by \$2.3bn to \$24.4bn, or 6.5 months of current external payments, at the end of 2016 due to substantial capital inflows. In parallel, S&P Global Ratings affirmed at 'BBB-/A-3' Morocco's short- and long-term sovereign ratings, with a 'stable' outlook. It said that the ratings are supported by political and social stability, economic growth prospects and a moderate public debt burden. But it noted that the country's low GDP per capita, elevated social needs, high external liabilities, as well as the deterioration in external and fiscal debt stocks in recent years continue to weigh on the ratings. It projected the government's debt to average 51% of GDP in 2017-20 compared to 38% of GDP in 2011.

Source: Fitch Ratings, S&P Global Ratings

GHANA

Sovereign ratings affirmed, outlook 'stable'

S&P Global Ratings affirmed at 'B-/B' Ghana's long- and short-term foreign and local currency sovereign credit ratings, with a 'stable' outlook. It noted that the ratings reflect Ghana's very weak public finances and vulnerable external position in the context of slow economic activity, a double-digit inflation rate and the depreciation of the Ghanaian cedi. It expected real GDP growth to accelerate from a 10-year low of 3.6% in 2016 to 5.5% in 2017, driven by an increase in consumption and higher hydrocarbon output. Further, it indicated that Ghana's fiscal balance has weakened significantly last year due to increased spending related to the December 2016 elections and lower revenues. But it projected the fiscal deficit to narrow from 8.3% of GDP in 2016 to 7% of GDP this year in case economic growth accelerates. Further, S&P considered the country's external position to be weak, as it forecast gross external financing needs at 128.6% of current account receipts plus usable reserves in 2017, and expected usable reserves to cover 2.5 months of current account payments. In parallel, IHS Markit downgraded Ghana's short-term sovereign credit risk rating from 'A-' to 'BBB+', while it maintained the country's medium-term sovereign credit risk rating at 'B+'. It noted that Ghana's short-term rating moved into the "supportive credit fundamentals" category following the downgrade, reflecting worse-than-expected deterioration in the financial position of banks. IHS maintained the 'negative' outlook on the ratings due to the country's weak external position and persistent fiscal risks.

Source: S&P Global Ratings, IHS Markit

EMERGING MARKETS

CBR withdrawals not affecting payment flows or economic activity

The International Monetary Fund indicated that the withdrawal of correspondent banking relationships (CBRs) between western banks, primarily U.S. banks, and other banks around the world is mostly a business decision for correspondent banks. The decision is based on the correspondent banks' assessment of the profitability and the risk of their relationships, including concerns about the respondent banks' capacity to manage risks. The Fund added that economic and trade sanctions, anti-money laundering and combating the financing of terrorism measures, and tax transparency standards, have also contributed to the withdrawal of CBRs. The IMF pointed out that that cross-border payments have been stable and economic activity has been largely unaffected despite CBR withdrawals, due to alternative arrangements put in place by financial institutions, especially with regard to trade and remittances corridors. However, it cautioned that cross border flows through fewer CBRs in small and fragile states could increase risks to financial stability in these countries, and could weigh on their growth and financial inclusion prospects over the long term. In parallel, the IMF encouraged the implementation of tailored, prioritized and sequenced responses to tackle CBR withdrawal, based on country-specific and regional circumstances. It noted that a first step consists of measures that enhance the respondent banks' capacity to manage risks, improve communication between correspondent and respondent banks, strengthen and implement regulatory and supervisory frameworks, and improve information sharing. It also supported other initiatives that would reduce compliance costs and address correspondent banks' risk assessment concerns.

Source: *International Monetary Fund*

QATAR

Banks' capital adequacy at 14.8%, NPLs at 1.2%

The risk-weighted capital adequacy ratio of banks operating in Qatar reached 14.8% at the end of September 2016 relative to 14.7% at the end of 2015; while the banks' Tier-One capital ratio stood at 15% at end-September 2016, unchanged from end-2015. In parallel, the sector's liquid assets reached 27.8% of total assets at the end of September 2016 relative to 28.5% at end-2015. Foreign assets accounted for 20.3% of total assets at end-September 2016, nearly unchanged from 20% at end-2015. Further, the banks' lending to the private sector represented 65.5% of total loans at the end of September 2016 relative to 67.2% at end-2015. The loan-to-resident-deposit ratio stood at 115.5% at end-September 2016, down from 116.9% at end-2015. The banks' non-performing loans (NPLs) were equivalent to 1.2% of total loans at end-September 2016, down from 1.6% at end-2015. Also, the banks' provisions-to-NPLs ratio reached 109.2% at end-September 2016, up from 101.1% at end-2015. In parallel, the banks' annualized return on assets was 1.3% in September 2016 compared to 2% in 2015, while their return on equity reached 11.4% in September, down from 16.2% in 2015. The International Monetary Fund noted that potential risks to financial stability in Qatar mainly include higher pressure on liquidity, an increase in funding costs, concentration risks and cross-border lending.

Source: *International Monetary Fund*

IRAQ

Central Bank updates ratings of banks and MTOs

The Central Bank of Iraq (CBI) rated 47 banks and 17 money transfer operators (MTOs) that have participated in foreign currency auctions in the first four months of 2017. The evolution of ratings between January 15 and April 25, 2017 shows that the CBI upgraded the ratings of 10 banks, downgraded the ratings of two banks and one MTO, while it issued new ratings on seven banks. The CBI evaluated banks and MTOs based on CBI requirements for foreign currency purchases, and rated them based on seven criteria that have weights ranging from zero to 100 points. The ratings are based on the banks' efficiency and ability in fulfilling the CBI standards, dealing with external correspondent banks, fulfilling clients' requests, commitment to foreign currency auction window instructions, disclosure of balances to correspondent banks, the number of lawsuits against the bank, and contracting with international auditing companies. The ratings range from 'A' to 'E', with an 'A' rating representing the bank or MTO with the highest score on these criteria. Banks with less than 17% of the points set for a criteria have to address this issue within three months or they will be suspended from participating in the currency auctions, while better rated banks will receive a higher share in foreign currency auctions. As of April 25, 2017, the ratings distribution shows that 51.1% of banks are rated 'B', 21.3% belong to the 'A' category, 10.6% are in each of the 'C' and 'D' segments, and another 6.4% belong to the 'E' category. Also, 35.3% of MTOs are rated 'C', 23.5% are in each of the 'B' and 'D' segments, while 17.6% belong to the 'A' category.

Source: *Central Bank of Iraq*

OMAN

Agency takes action on four banks

Capital Intelligence Ratings (CI) downgraded the long-term foreign currency rating (FCR) of Bank Muscat from 'A-' to 'BBB+' and that of National Bank of Oman (NBO) from 'BBB+' to 'BBB', while it affirmed at 'BBB' the long-term FCRs of Bank Sohar and Oman Arab Bank (OAB). It also revised the outlook on the four banks' long-term FCRs from 'negative' to 'stable'. It attributed the changes to its similar action on Oman's sovereign ratings. In parallel, the agency downgraded the financial strength rating (FSR) of Bank Muscat from 'A-' to 'BBB+', that of NBO from 'BBB+' to 'BBB' and that of OAB from 'BBB' to 'BBB-'. Also, it affirmed at 'BBB-' the FSR of Bank Sohar due to the bank's good loan asset quality and sound capital position, and the government's sizeable stake in the bank. It revised the outlook on the four banks' FSR from 'negative' to 'stable'. The agency pointed out that the four banks are operating in a challenging environment due to the adverse impact of low global oil prices on the economy and public finances. It added that the government's measures to adjust to low oil prices, such as cuts in subsidy, higher fees and limited increases in public sector salaries, have adversely affected business conditions for Omani corporates and the disposable income of consumers. As a result, it noted that the banks' loan asset quality has deteriorated and that non-performing loans could further increase. Also, it pointed out that liquidity in the banking sector has further tightened, reflecting in part the government's limited capacity to inject liquidity.

Source: *Capital Intelligence Ratings*



ENERGY / COMMODITIES

Crude oil prices to increase by 40% in 2017

ICE Brent crude oil front-month prices averaged \$54.5 per barrel (p/b) in the first four months of 2017, constituting an increase of 46.2% from \$37.3 p/b in the same period of 2016. The increase in oil prices was due to the agreement reached in November 2016 between OPEC and non-OPEC members to cut their oil production. Since then, crude oil prices have been trading at a narrow range near the \$55 p/b level. However, oil prices closed at \$51.8 p/b on April 26, 2017, down by 2.1% from the preceding week, due to investors' prevailing fears that rising U.S. crude oil stocks and shale output could disrupt the coordinated efforts of OPEC and non-OPEC members to balance the global oil market. Also, the American Petroleum Institute reported an increase of 897,000 barrels in U.S. crude oil stocks last week, compared to analysts' expectations of a decrease of 1.7 million barrels, which weighed on prices. Still, investors anticipate that a renewal of the existing oil production agreement during the upcoming OPEC meeting would provide some support to oil prices in 2017. In this context, ICE Brent oil prices are projected to increase gradually to \$61 p/b in the second quarter, \$65 p/b in the third quarter and \$70 p/b in the fourth quarter of 2017. Overall, oil prices are anticipated to rise by 40% to an average of \$63 p/b in 2017.

Source: Thomson Reuters, Standard Chartered, Byblos Research

GCC economies to invest \$131bn in power generation during 2017-21

APICORP expected member countries of the Gulf Cooperation Council (GCC) to invest \$131bn in the power sector during the 2017-21 period, in order to meet the region's rapidly growing demand for electricity. It anticipated GCC economies to invest \$81bn in the power sector in order to generate an additional 62 gigawatts during the covered period, and \$50bn in transmission and distribution over the next five years. In parallel, it forecast the required investments in Saudi Arabia at \$59bn, or 45% of the total, in the UAE at \$35bn (26.7%) and in Kuwait at \$14bn (10.7%).

Source: APICORP Energy Research

OPEC's oil output nearly unchanged in March 2017

Crude oil production of the Organization of Petroleum Exporting Countries, based on secondary sources, averaged 31.93 million barrels per day (b/d) in March 2017, down by a marginal 0.5% from 32.1 million b/d in the preceding month. Saudi Arabia produced 10 million b/d in March 2017, equivalent to 31.3% of OPEC's total oil production, followed by Iraq with 4.4 million b/d (13.8%) and Iran with 3.8 million b/d (11.9%).

Source: OPEC, Byblos Research

Investments in renewable energy down 23% in 2016

Bloomberg New Energy Finance, the energy analytics arm of Bloomberg, indicated that new global investments in renewable energy reached \$241.6bn in 2016, down by 22.6% from \$312.2bn in 2015, constituting the steepest decline on record, partly due to a slowdown in investments from China, Japan and some emerging markets. However, it noted that new installed renewable energy capacity increased from 127.5 gigawatts (GW) in 2015 to an all-time high of 138.5 GW in 2016.

Source: Bloomberg New Energy Finance, Byblos Research

Base Metals: Copper prices to increase on limited recovery in output

LME Copper three-month future prices increased by 2.6% from a week earlier to close at \$5,715 a ton on April 26, 2017, driven in part by a weaker US dollar following the first round of the French presidential elections. However, the metal's average price of \$1,710 a ton in April 2017 is the lowest monthly average so far this year, reflecting weakened Chinese demand for base metals amid slowing real estate prices. Copper prices are forecast to rise from an average of \$4,874 a ton in 2016 and of \$5,820 a ton so far this year to \$5,900 a ton in 2017 and to \$6,500 a ton in 2018, driven by a limited recovery in the metal's output. In parallel, global demand for refined copper increased by 1.8% year-on-year to 1.9 million tons in January 2017. Demand for refined copper grew by 3.5% in Europe and by 2% in Asia, while it declined in all other regions. On the supply side, the metal's global refined production rose by 2.1% to 2 million tons year-on-year in January 2017, driven by a 10% supply growth in China. On a regional basis, refined output grew by 6% in Asia, by 3% in Africa, and by 2% in Europe, while it declined by 6% in the Americas, and was nearly unchanged in Oceania.

Source: International Copper Study Group, Standard Chartered

Precious Metals: Automotive sector to account for 44% of global platinum demand in 2017

Platinum prices closed at \$949 a troy ounce on April 26, 2017, constituting an increase of 1% from \$940 an ounce at the end of March 2017, and a rise of 5.7% from \$898 an ounce at end-2016. The increase is driven by higher demand for the metal amid expectations that the recovery in the global manufacturing sector will continue over the coming months. Overall, the metal's price is projected to increase from \$987 an ounce in 2016 to \$1,008 an ounce in 2017, supported by an anticipated decline in refined output in North America, South Africa and Zimbabwe during the year. In parallel, global platinum supply is projected to decrease by 3.8% to 7.7 million ounces in 2017, with mine production accounting for 77% of the total. Further, global demand for platinum is projected to regress by 6% to 7.8 million ounces this year, mainly due to a decline in investment demand. The global automotive sector is expected to account for 43.6% of total platinum demand in 2017, followed by the jewelry industry (32.5%) and the industrial sector (20.7%).

Source: World Platinum Investment Council, Standard Chartered, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-11.2	24.6	4.2	18.9	2.2	-	-11.1	1.0
Angola	B	B1	B	-	B+	-7.1	70.1	96.8*	85.0**	7.3	14.4	-11.6	2.6
Egypt	B-	B3	B	B-	B-	-10.1	93.5	21.1	206.8	11.5	302.8	-5.2	2.4
Ethiopia	B	B1	B	-	B+	-3.0	55.4	29.0*	159.6	4.3	634.6	-10.7	4.1
Ghana	B-	B3	B	-	B+	-3.9	74.1	44.7	110.4**	10.3	371.8	-7.2	7.7
Ivory Coast	-	Ba3	B+	-	B+	-3.1	33.0	34.1	62.9	2.7	169.6	-1.8	3.3
Libya	-	-	B	-	B-	-35.4	83.0	16.5	51.6	-	-	-48.7	-9.6
Dem Rep Congo	B-	B3	-	-	CCC	1.1	19.8	16.6*	41.6	2.1	6.5	-14.2	4.5
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	56.5	39.2	124.8	19.9	185.6	-0.5	2.6
Nigeria	B	B1	B+	-	B+	-4.7	13.3	5.5	62.5	0.7	63.2	-3.1	1.2
Sudan	-	-	-	-	CC	-1.7	58.3	53.2	-	-	-	-6.3	1.3
Tunisia	-	Ba3	B+	-	BB+	-5.1	57.8	80.7	165.6	15.7	423.9	-8.7	4.2
Burkina Faso	B-	-	-	-	B+	-3.0	32.6	23.2*	-	-	-	-5.3	2.3
Rwanda	B	B2	B	-	B+	-3.1	41.5	34.4*	-	-	-	-14.2	4.1
Middle East													
Bahrain	BB-	Ba2	BB+	BB+	BBB-	-14.7	73.2	127.6	239.3	24.6	-	-2.1	-0.2
Iran	-	-	-	BB-	BB-	-2.6	17.5	2.2	8.8	-	-	-2.6	-
Iraq	B-	(P)Caa1	B-	-	CC+	-11.3	71.4	59.1	158.8	-	-	-2.8	-
Jordan	BB-	B1	-	BB-	BB+	-3.4	90.4	64.5	141.2**	10.5	177.3	-6.4	5.5
Kuwait	AA	Aa2	AA	AA-	AA-	-2.4	12.8	36.1	61.9	10.5	107.6	-2.1	-8.4
Lebanon	B-	B2	B-	B	B-	-7.8	142.6	175.4	207.2**	23.4	151.1	-21.3	5.9
Oman	BBB	Baa1	BBB	BBB+	BBB	-15.2	25.6	27.5	48.4	5.6	-	-22.4	-1.0
Qatar	AA	Aa2	AA	AA-	AA-	-2.9	41.6	110.9	213.8	24.9	-	-2.0	-1.8
Saudi Arabia	A-	A1	A+	A+	AA-	-11.7	17.6	19.7	60.7	4.2	-	-11.0	0.8
Syria	-	-	-	-	C	-	-	36.5	-	-	-	-	0.6
UAE	-	Aa2	-	AA-	AA-	-6.4	64.9	51.2	54.2	4.0	313.8	-0.3	1.1
Yemen	-	-	-	-	CCC	-10.0	67.3	17.3	-	-	197.2	-7.0	-0.2

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	B1	B+	-	B-	-4.1	48.5	78.6	168.2	23.6	612.8	-4.3	3.8
	-	Stable	Stable	-	Stable								
China	AA-	Aa3	A+	-	A	-2.6	41.0	5.1	21.5	3.9	53.5	2.6	1.7
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BBB	-6.2	47.5	22.4	111.9	7.3	156.2	-0.6	1.0
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-	-4.0	22.1	151.2	325.8	33.6	824.6	-4.0	3.5
	Negative	CWN***	Stable	-	Negative								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BBB	-1.5	33.5	88.9	117.6	28.0	236.3	3.4	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-3.9	42.9	53.0	121.9	14.4	224.0	1.1	1.7
	Stable	Negative	Stable	-	Positive								
Russia	BB+	Baa3	BBB-	-	BB+	-3.1	13.6	37.9	114.5	19.6	150.3	4.9	-1.7
	Negative	CWN***	Negative	-	Negative								
Turkey	BB	Ba1	BB+	BB+	BB-	-2.4	33.5	57.3	215.0	19.8	405.8	-4.1	0.7
	Negative	Negative	Stable	Stable	Negative								
Ukraine	CCC	Caa3	CCC	-	B-	-4.2	69.9	127.1	235.3	22.4	663.6	0.4	1.1
	Negative	Negative	-	-	Stable								

*to official creditors

** external debt/current account receipts

***Credit Watch Negative

Source: Institute of International Finance; International Monetary Fund; IHS Global Insight; Moody's Investors Service; Byblos Research - The above figures are estimates for 2016



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.75-1.00	15-Mar-17	Raised 25bps	03-May-17
Eurozone	Refi Rate	0.00	27-Apr-17	No change	08-Jun-17
UK	Bank Rate	0.25	16-Mar-17	No change	05-May-17
Japan	O/N Call Rate	-0.10	27-Apr-17	No change	16-Jun-17
Australia	Cash Rate	1.5	04-Apr-17	No change	02-May-17
New Zealand	Cash Rate	1.75	23-Mar-17	No change	11-May-17
Switzerland	3 month Libor target	-1.25-(-0.25)	17-Mar-17	No change	15-Jun-17
Canada	Overnight rate	0.50	12-Apr-17	No change	24-May-17
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	1.25	15-Mar-17	Raised 25bps	03-May-17
Taiwan	Discount Rate	1.375	24-Mar-17	No change	29-Jun-17
South Korea	Base Rate	1.25	13-Apr-17	No change	25-May-17
Malaysia	O/N Policy Rate	3.00	02-Mar-17	No change	12-May-17
Thailand	1D Repo	1.50	29-Mar-17	No change	24-May-17
India	Reverse repo rate	6.25	06-Apr-17	No change	07-Jun-17
UAE	Overnight repo rate	1.75	15-Mar-17	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	1.00	15-Mar-17	Raised 25bps	N/A
Egypt	Overnight Deposit	14.75	30-Mar-17	No change	18-May-17
Turkey	Base Rate	8.00	26-Apr-17	No change	15-Jun-17
South Africa	Repo rate	7.00	30-Mar-17	No change	25-May-17
Kenya	Central Bank Rate	10.00	27-Mar-17	No change	23-May-17
Nigeria	Monetary Policy Rate	14.00	21-Mar-17	No change	23-May-17
Ghana	Prime Rate	23.50	27-Mar-17	Cut 200bps	22-May-17
Angola	Base rate	16.00	31-Jan-17	No change	12-May-17
Mexico	Target Rate	6.50	30-Mar-17	Raised 25bps	18-May-17
Brazil	Selic Rate	12.25	12-Apr-17	Cut 100bps	31-May-17
Armenia	Refi Rate	6.00	28-Mar-17	No change	16-May-17
Romania	Policy Rate	1.75	05-Apr-17	No change	05-May-17
Bulgaria	Base Interest	0.00	03-Apr-17	No change	02-May-17
Kazakhstan	Repo Rate	11.00	10-Apr-17	No change	05-Jun-17
Ukraine	Discount Rate	14.00	13-Apr-17	Cut 100bps	25-May-17
Russia	Refi Rate	9.75	24-Mar-17	Cut 25bps	28-Apr-17



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